

## **Complaint**

Ms I has complained about a credit card Capital One (Europe) plc (“Capital One”) provided to her. She says the credit card was irresponsibly provided as it was unaffordable.

## **Background**

Capital One provided Ms I with a credit card with a limit of £200 in December 2018. The credit limit on Ms I’s card wasn’t ever increased.

One of our investigators reviewed what Ms I and Capital One had told us. And he thought Capital One hadn’t done anything wrong or treated Ms I unfairly. So he didn’t recommend that Ms I’s complaint be upheld.

Ms I disagreed and asked for an ombudsman to look at the complaint.

## **My findings**

I’ve considered all the available evidence and arguments to decide what’s fair and reasonable in the circumstances of this complaint.

We’ve explained how we handle complaints about unaffordable and irresponsible lending on our website. And I’ve used this approach to help me decide Ms I’s complaint.

Having carefully considered everything, I’ve decided not to uphold Ms I’s complaint. I’ll explain why in a little more detail.

Capital One needed to make sure it didn’t lend irresponsibly. In practice, what this means is Capital One needed to carry out proportionate checks to be able to understand whether Ms I could afford to repay any credit it provided.

Our website sets out what we typically think about when deciding whether a lender’s checks were proportionate. Generally, we think it’s reasonable for a lender’s checks to be less thorough – in terms of how much information it gathers and what it does to verify it – in the early stages of a lending relationship.

But we might think it needed to do more if, for example, a borrower’s income was low or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So we’d expect a lender to be able to show that it didn’t continue to lend to a customer irresponsibly.

Capital One says it initially agreed to Ms I’s application after it obtained information on her income and carried out a credit search on her. And the information obtained indicated that Ms I would be able to make the low monthly repayments due for this credit card. On the other hand, Ms I says that she shouldn’t have been lent to.

I’ve considered what the parties have said.

What's important to note is that Ms I was provided with a revolving credit facility rather than a loan. This means that Capital One was required to understand whether a credit limit of £200 could be repaid within a reasonable period of time, rather than all in one go. And a credit limit of £200 required low monthly payments in order to clear the full amount owed within a reasonable period of time.

I've seen records of the information Capital One obtained from Ms I about her income and what was on the credit search carried out. Capital One says that Ms I declared receiving around £18,900.00 a year. The credit search carried out showed that the amount Ms I owed was low and that she had little in the way of a credit history..

Ultimately, it was up to Capital One to decide whether it wished to accept the credit risk of taking on Ms I as a customer provided it was reasonably entitled to believe that the credit was affordable and it reasonably mitigated the risk of harm to her going forward. And I'm satisfied that Capital One did mitigate this risk of harm by providing Ms I with such a low credit limit to begin with.

In these circumstances, at the time of the lending decision there was little to suggest that Ms I couldn't afford to make what were the low monthly payments required to this credit card, or that it was unreasonable for Capital One to lend. I accept that Ms I says her actual circumstances at the time were worse than what the information Capital One obtained showed. I'm sorry to hear that Ms I has found making her payments difficult.

However, I don't think that Capital One had reason to believe that this would happen at the time that it accepted her application, or had any reason to doubt the information that it had gathered. Furthermore, I've not seen anything to indicate that it defaulted the account prematurely or sought to obtain payment in circumstances where Ms I said she couldn't pay either.

In reaching my conclusions, I've also considered whether the lending relationship between Capital One and Ms I might have been unfair to Ms I under section 140A of the Consumer Credit Act 1974 ("CCA").

However, for the reasons I've explained, I've not been persuaded that Capital One irresponsibly lent to Ms I or otherwise treated her unfairly in relation to this matter. And I haven't seen anything to suggest that section 140A CCA or anything else would, given the facts of this complaint, lead to a different outcome here.

Overall and having considered everything, while I can understand Ms I's sentiments and I'm sorry to hear what she's said about her situation, I don't think that Capital One treated Ms I unfairly or unreasonably in deciding to provide her with her credit card. So I'm not upholding this complaint.

I appreciate this will be very disappointing for Ms I. But I hope she'll understand the reasons for my decision and that she'll at least feel her concerns have been listened to.

### **My final decision**

For the reasons I've explained, I'm not upholding Ms I's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms I to accept or reject my decision before 27 May 2025.

Jeshen Narayanan

**Ombudsman**